



SAFIN Newsletter

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September 2021

The third quarter of the year is often a relatively quiet one for our network, as the pace of work slows down with the summer holidays in the Northern hemisphere. This year has been a notable exception, as July, August and September have seen many SAFIN partners finalizing new facilities, announcing new investments, issuing major reports, and being visible and vocal in the global conversation on a “new food finance architecture.” Several partners have done this while facing the impact of COVID-19 in their personal and professional lives. As Senior Coordinator of SAFIN, I continue to feel inspired by the creativity and commitment of the individuals and organizations in our community, as they work to make finance flow more and better towards SMEs. In July, the voices of many entrepreneurs and investors at the United Nations Food Systems Pre-Summit reminded us of the importance of the agenda that we share, but also challenged us to position it more firmly with respect to the 2030 Agenda. How can finance best enable SMEs to scale up their contribution to nature-positive agricultural production, nutrition, equitable livelihoods and resilience? What does this require from us, as individuals and as a network? In the coming months these questions will inform our conversations and our work, starting from our upcoming Annual Plenary Meeting on 05-07 October.

Bettina Prato, Senior Coordinator, SAFIN

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Highlights from our workstreams

Championing the agri-SME agenda in global debates on green and sustainable finance

Building on the workshop on green finance and agriculture co-organized with the Improving Capacity Building in Rural Finance Partnership (CABFIN) and the Asia-Pacific Rural and Agricultural Credit Association in late May, SAFIN partners and the Secretariat continued to explore several issues at the intersection of “green” and “SME” in agri-food finance in the past months. These included effective partnership development and the role of financial and value chain aggregation in generating pipeline and de-risking green transactions in this market segment.

In July, several partners and the SAFIN Senior Coordinator participated in the first working meeting of a global network of food system investors and financial partners, which resulted in the launch of the Good Food Finance Network at the UN Food Systems Summit in late September.

SAFIN’s participation contributed to the identification of innovative financial products and services for SMEs as one key part of the agenda of a “green” financial transition in the sector, opening up new collaboration opportunities within and beyond the network after the Summit.

Later in September, the Senior Coordinator spoke in a session on innovations in agricultural finance to catalyse sustainable transitions for smallholders at the World Conservation Congress of the International Union for Conservation of Nature, focusing on opportunities and challenges



Photo: IFAD/R. Ramasomanana

around aggregation as an enabler of both financial scale and inclusive impact.

On 02 September, SAFIN hosted a webinar on partnerships in green finance initiatives for agri-SMEs. During the session, Kisa Mfabila of the International Fund for Agricultural Development interviewed Arindom Datta of Rabobank and Anil Kumar of Samunnati about their institutions' long-lasting partnership in the green finance space in India. The discussion highlighted how important it is for financial institutions that want to make an impact in this space to find partners that are committed to learning and growing together in the long-term.

Mapping the knowledge landscape on digital innovations in agri-SME finance

Over the summer, the SAFIN learning agenda on digital innovations for agri-SME finance was taken forward through several activities. These include the preparation of an overview of the literature on innovative digital solutions that support financial service providers or that help agri-SMEs to improve their bankability and market access. The overview note, which mainly builds on publications and knowledge activities led by SAFIN partners, shows that more attention has been given so far to small farmers rather than to agri-SMEs in studying digital solutions in agriculture.

The note also identifies evidence gaps around some critical questions of relevance to SAFIN partners, such as the impact of digital innovations in the agri-SME finance space, the commercial viability of different innovations or of the business models developed around them, and whether and to what extent these innovations require the deployment of highly concessional capital.

On 06 September, the SAFIN Technical Specialist moderated a side-event of the AGRF Deal Room on the topic of digital financial services for agriculture. The event brought together three SAFIN partners: Oluwafunto Olasemo of AFEX Commodities Exchange Ltd, Wambui Chege of the African Development Bank, and Matthew Shakhovskoy of ISF Advisors.



Photo: IFAD/Edward Echwalu

The discussion revolved around the potential of different models, products and services to address challenges related to access to finance for smallholder farmers and agri-SMEs in Africa. The exchange highlighted the importance of tailoring digital solutions to local needs and the need to develop relevant market and infrastructure to expand access to finance, markets, and services in order to achieve transformative change.

News from across the network

GAFSP's sixth call for proposals attracts US\$1 billion in funding requests

This year, the Global Agriculture and Food Security Program (GAFSP) launched an open, competitive Call for Proposals to provide grant funding to low-income countries and, for the first time, to Producer Organizations. This funding will support medium- to long-term COVID-19 response efforts for a more resilient recovery of agriculture and food systems in a changing climate.

The Call attracted requests for approximately US\$1 billion across more than 80 Country and Producer Organization-led submissions in the context of the ongoing COVID-19 pandemic – roughly four times the number of proposals typically received in previous years. However, only US\$150 million in funding is available for this Call.

With global hunger and malnutrition on the rise, this Call shows unprecedented levels of demand for GAFSP support as



Photo: IFAD/Francesco Cabras

one important source of funding for agricultural investment, suggesting urgent needs amongst the poorest countries and smallholder communities.

The GAFSP Steering Committee is expected to make funding allocation decisions in late 2021. Successful country-led projects will support investments in line with country-owned agricultural investment plans, while also identifying opportunities for private sector engagement. Successful Producer Organization-led projects will strengthen the institutional capacities of these organizations as key economic players in the value chain.

Africa races to fix its food systems by 2030

The African Green Revolution Forum 2021 Summit concluded in Nairobi, Kenya on 10 September with a call to all African leaders, organisations, and partners in the agriculture sector to change the status quo of food systems on the continent.

In this decade of action, Africa will require great leadership, accountability, and commitment to support agri-SMEs and the smallholder farmers who manage 80% of sub-Saharan Africa's farmland.

Recognizing that SMEs are key to building resilient food systems, especially those led by women and youth, the Agribusiness DealRoom at the Summit hosted over 4000 entrepreneurs who presented their investment plans and needs to potential investors and partners.

During the Summit, moved by the challenges the continent has faced over the last decade including climate change, a rapid increase in population, the COVID-19 crisis and other external shocks, six African Heads of State committed to:

1. catalyze rapid expansion in agriculture and food productivity, with a particular focus on smallholder farmers and women;
2. boost investment financing for Africa's food systems;
3. ensure access to safe and nutritious food for all;
4. strengthen Africa's food markets, and;
5. build resilience, especially through social safety nets and early warning systems.

African Heads of State and more than 8,500 delegates who participated in the Summit agreed on a [declaration](#) through which Africa presented a unified voice at the UN Food Systems Summit. The declaration aims to ensure that critical food security development drivers such as access to markets, farm inputs, technology know-how and innovations are shared equitably for the benefit of all.

Perspective: “Climate risk is key to assessing the creditworthiness of small farmers and agri-SMEs,” Avril Benchimol

Perspectives is a series that highlights emerging issues in the area of agri-SME and smallholder finance from the perspective of practitioners and thought leaders within and outside the SAFIN network. In this interview, Avril Benchimol, Senior Financial Specialist at the Global Environment Facility (GEF), talks about the challenges of reaching financial scale through blended finance and promising innovations in the use of finance for sustainable transitions in agriculture.



Photo: IFAD/Fausto Veliz

What is the role of the blended finance programme in delivering on the overall mandate of the Global Environment Facility?

The GEF is the financial mechanism of five international conventions – the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants, the UN Convention to Combat Desertification, and the Minamata Convention on Mercury. As a financial mechanism, most of the GEF budget is allocated to governments in the form of grants to implement the directions and guidance provided by these conventions. Although the GEF has been seeking to engage with private sector since its inception, in 2006 the GEF Council established a separate financing window dedicated to mobilizing private sector investment into environmental challenges by addressing the diverse needs and mandates of the sector. This window provides financial instruments other than grants that can be blended to create risk-return transaction profiles that meet the requirements of private investors.

Where do you see the main challenges in reaching financial scale through blended finance in sustainable agriculture and for agri-SMEs?

Financing agriculture – especially smallholder farmers - is inherently risky, and financial institutions and investors often look at this risk purely from a creditworthiness angle. Climate risk is rarely included in their risk assessments, which can result in agricultural credit risk being overestimated, especially when finance is required for investments that contribute to climate adaptation. Regulators should require the inclusion of climate risk in the analysis of the creditworthiness of each client in order for more finance to flow in the sector. Financial intermediaries should also be supported to build an internal track record to learn whether smallholder farmers that adopt improved sustainable measures are more creditworthy.

What are the most exciting or promising areas of innovation in the use of finance for sustainable transitions in the sector, in your experience?

It is exciting to see big commercial banks looking at sustainable transitions more actively and establishing teams focused on biodiversity or sustainability, for example. We also believe that open-ended funds such as the Food Securities Fund are very innovative. The Fund will be listed on the stock exchange and remain as big as its shareholders invest into it, without reaching a financial closing. The Fund seeks to make partnerships with value chain partners like large corporations that want to source responsibly in their value chains but do not have the means to fully finance sustainable transitions. By co-investing in smallholder farmers through aggregators worldwide with these corporations taking the first loss, the Fund will lead to longer-term sustainable transitions in agricultural value chains.



Avril Benchimol,
Senior Financial
Specialist, GEF

Avril leads the blended finance initiative at the Global Environment Facility. She has sixteen years of experience in capital markets and structured finance, both in investment banking and in multilateral institutions. At the GEF, she manages a blended finance portfolio of US\$ 250 million in active projects. In 2011 she graduated with honors from the Masters of Science in Foreign Service at Georgetown University.

Partner in the spotlight: Songbae Lee, Agricultural Finance Lead at USAID



Songbae Lee, Agricultural Finance Lead, USAID

How does USAID work in the space of agri-SME finance, and what are the priorities of the agency in this area?

USAID is a decentralized donor organization, which means that each country where we operate determines its own priorities. Within the context of agricultural finance, we focus on agri-SMEs that work with smallholder farmers to improve their livelihoods, improve food security, and contribute to the overall economic growth of each country. Within the broader context of agency priorities, we focus on engaging with the private sector to develop sustainable approaches because we know that donors alone do not have the resources to solve the challenges we are trying to address.

What is your role at USAID and what was your professional journey before this?

My job is to help mobilize private capital in agriculture. I am part of a small team in the Washington DC office whose first goal is to provide technical support to in-country USAID offices. We also work closely with the U.S. International Development Finance Corporation and manage a small portfolio of centrally funded activities. After graduating from business school in 2004, I worked first in New York City and then later in San Francisco, on large capital market transactions. I was laid off during the 2008 financial crisis but took the opportunity to pursue my interest in international economic development. This eventually led me to Calvert Impact Capital, a non-profit social lender, where I spent eight years responsible for an international portfolio of microfinance and SME lenders. The opportunity to join USAID last year came at a time when I was interested in moving beyond working just on transactions. I wanted to support larger systems change and to focus on agriculture because of its large development impact.

What do you see as the main potential game-changers in agri-SME finance today and in the coming years?

The biggest game-changer I see in agri-SME finance today is Aceli Africa, which USAID was already supporting when I joined the agency. It stands out to me because of the data [e.g. on the economics of agri-SME lending] -that its team was able to collect and use to design their program, their focus on working with existing domestic lenders as well as international social lenders, and their ability to design incentives in a way that encourages behaviour change in lenders.

Another important aspect of their work is the acknowledgement that while incremental improvements to the agri-SME lending process are possible, the fundamental challenges around the high cost and high risk of the sector will not change anytime soon. So, the short-term goal is to mobilize additional capital for high-impact lending, the medium-term goal is to maximize the efficient use of subsidies, and the long-term goal is to build a more competitive market where national governments, especially those in Africa, invest in a strong enabling environment.

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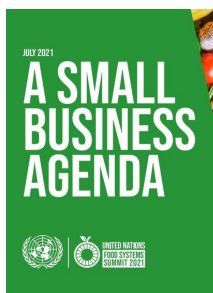
SAFIN has been an incredible resource to connect me to important players in the agri-SME finance sector.

Why did USAID join SAFIN and what are your priorities in engaging in the network?

USAID was already a member of SAFIN when I joined, and the network has been an incredible resource to connect me to important players in the agri-SME finance sector. SAFIN is unique because of the broad range of its network membership, which includes not just investors and donors but also implementers and farmer organizations. The network organizes important discussions, research, and webinars that help me keep abreast of relevant topics. In addition to how the network helps me do my job better on a professional level, it also plays an important role in the development of the overall sector, for example, by participating in events like the UN Food Systems Summit.

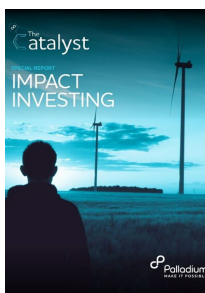
What we're reading

Read the latest publications in our resource library



A Small Business Agenda for the
Food Systems Summit

United Nations



The Catalyst Special
Report: Impact Investing

Palladium



Donor contributions to
food systems

GDFRD

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Where we're going

Join us at these upcoming events to exchange knowledge with our partners

05-07 Oct 2021

SAFIN Annual Plenary
Meeting

Online

18-21 Oct 2021

Global SME Finance
Forum

Online

14-15 Dec 2021

Inclusive Finance India
Summit

Online

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The Smallholder and Agri-SME Finance and Investment Network (SAFIN) is a partnership of institutions that are committed to aligning their efforts to scale up access to financial services for agri-SMEs and for small commercial farms.